



# House of Representatives

## File No. 729

General Assembly

February Session, 2016

**(Reprint of File No. 289)**

House Bill No. 5520  
As Amended by House Amendment  
Schedules "A" and "B"

Approved by the Legislative Commissioner  
April 25, 2016

### **AN ACT CONCERNING HOMEOWNERS AND MOTOR VEHICLE INSURANCE POLICIES.**

Be it enacted by the Senate and House of Representatives in General  
Assembly convened:

1 Section 1. Section 38a-663 of the 2016 supplement to the general  
2 statutes is repealed and the following is substituted in lieu thereof  
3 (*Effective October 1, 2016*):

4 The following words and phrases, as used in sections 38a-663 to  
5 38a-696, inclusive, shall have the following meanings unless the  
6 context otherwise requires:

7 (1) "Rating organization" means an individual, partnership,  
8 corporation, unincorporated association, other than an admitted  
9 insurer, whether located within or outside this state, who or that has as  
10 a primary object or purpose the making of rates, rating plans or rating  
11 systems. Two or more admitted insurers that act in concert for the  
12 purpose of making rates, rating plans or rating systems, and that do  
13 not operate within the specific authorizations contained in sections  
14 38a-667, 38a-669, 38a-670 and 38a-672 shall be deemed to be a rating  
15 organization. No single insurer shall be deemed to be a rating

16 organization.

17 (2) "Advisory organization" means every group, association or other  
18 organization of insurers, whether located within or outside this state,  
19 that assists insurers or rating organizations in rate-making by the  
20 collection and furnishing of loss or expense statistics, or by the  
21 submission of recommendations, provided the term shall not include  
22 actuarial, legal or other consultants.

23 (3) "Member" means an insurer that participates in or is entitled to  
24 participate in the management of a rating, advisory or other  
25 organization.

26 (4) "Subscriber" means an insurer that is furnished at its request (A)  
27 with rates and rating manuals by a rating organization of which it is  
28 not a member, or (B) with advisory services by an advisory  
29 organization of which it is not a member.

30 (5) "Wilful" and "wilfully" in relation to an act or omission that  
31 constitutes a violation of sections 38a-663 to 38a-681, inclusive, means  
32 with actual knowledge or belief that such act or omission constitutes  
33 such violation and with specific intent to commit such violation.

34 (6) "Market" means the interaction between buyers and sellers  
35 consisting of a product market component and a geographic market  
36 component, as determined by the commissioner in accordance with the  
37 provisions of subsection (b) of section 38a-687.

38 (7) "Noncompetitive market" means a residual market or a market  
39 for which there is a ruling in effect pursuant to section 38a-687, that a  
40 reasonable degree of competition does not exist.

41 (8) "Competitive market" means a market that has not been found to  
42 be noncompetitive pursuant to section 38a-687.

43 (9) "Personal risk insurance" means homeowners, tenants, private  
44 passenger nonfleet automobile, mobile manufactured home and other  
45 property and casualty insurance for personal, family or household

46 needs except workers' compensation insurance.

47 (10) "Homeowners insurance" means property and casualty  
48 insurance for owner-occupied buildings with four or fewer dwelling  
49 units.

50 [(10)] (11) "Commercial risk insurance" means insurance within the  
51 scope of sections 38a-663 to 38a-696, inclusive, that is not personal risk  
52 insurance.

53 [(11)] (12) "Supplementary rate information" includes any manual or  
54 plan of rates, classification, rating schedule, minimum premium, rating  
55 rule, and any other similar information needed to determine the  
56 applicable rate in effect or to be in effect.

57 [(12)] (13) "Supporting information" means (A) the experience and  
58 judgment of the filer and the experience or data of other insurers or  
59 organizations relied upon by the filer, (B) the interpretation of any  
60 statistical data relied upon by the filer, and (C) descriptions of methods  
61 used in making the rates, and other similar information required to be  
62 filed by the commissioner.

63 [(13)] (14) "Residual market" means an arrangement for the  
64 provision of insurance in accordance with the provisions of section  
65 38a-328, 38a-329 or 38a-670.

66 Sec. 2. Section 38a-323a of the general statutes is repealed and the  
67 following is substituted in lieu thereof (*Effective October 1, 2017*):

68 (a) Each insurer that issues, renews, amends or endorses an  
69 automobile or homeowners insurance policy in this state on or after  
70 October 1, [2002] 2017, shall include with the policy a conspicuous  
71 statement specifying that any individual [aged fifty-five or over] may  
72 designate a third party to receive notice of cancellation or nonrenewal  
73 of the policy. The statement shall include a designation form and  
74 mailing address the [senior citizen] individual may use to designate a  
75 third party. Such statement shall be in a form approved by the

76 Insurance Commissioner.

77 (b) No designation form shall be effective unless it contains a  
 78 written acceptance by the third party designee to receive copies of  
 79 notices of cancellation or nonrenewal from the insurer on behalf of the  
 80 [senior citizen] individual. The third party designation shall be  
 81 effective not later than ten business days after the date the insurer  
 82 receives the designation form and the acceptance of the third party.  
 83 The third party may terminate the status as a third party designee by  
 84 providing written notice to both the insurer and the [senior citizen]  
 85 insured individual. The [senior citizen] individual may terminate the  
 86 third party designation by providing written notice to the insurer and  
 87 the third party designee. The insurer may require the [senior citizen]  
 88 individual and the third party to send the notices to the insurer by  
 89 certified mail, return receipt requested.

90 (c) The insurer's transmission to the third party designee of a copy  
 91 of any notice of cancellation or nonrenewal shall be in addition to the  
 92 transmission of the original document to the [senior citizen] insured  
 93 individual. When a third party is so designated, all such notices and  
 94 copies shall be mailed in an envelope clearly marked on its face with  
 95 the following: "IMPORTANT INSURANCE POLICY INFORMATION:  
 96 OPEN IMMEDIATELY". The copy of the notice of cancellation or  
 97 nonrenewal transmitted to the third party shall be governed by the  
 98 same law and policy provisions that govern the notice being  
 99 transmitted to the [senior citizen] insured individual. The designation  
 100 of a third party shall not constitute acceptance of any liability on the  
 101 part of the third party or insurer for services provided to the [senior  
 102 citizen] insured individual.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2016	38a-663
Sec. 2	October 1, 2017	38a-323a

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

***OFA Fiscal Note******State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill makes changes to the statutes regarding homeowners and automobile insurance policies, which do not result in a fiscal impact to the state or municipalities.

House "A" makes changes to insurance policies and does not result in a fiscal impact.

House "B" strikes the underlying bill and the associated fiscal impact. It replaces the underlying bill with language that results in the impact described above.

***The Out Years******State Impact:*** None***Municipal Impact:*** None

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**OLR Bill Analysis****HB 5520 (as amended by House "A" and "B")\******AN ACT CONCERNING HOMEOWNERS AND MOTOR VEHICLE INSURANCE POLICIES.*****SUMMARY:**

This bill removes an age restriction on when an automobile or homeowners insurance policyholder may designate a third party to receive cancellation or nonrenewal notices from insurers. Under current law, a policyholder must be at least age 55 to make a third-party designation.

The bill also codifies in statute the definition of homeowners insurance, which is currently in regulations (Conn. Agencies Reg. § 38a-824-2). "Homeowners insurance" is property and casualty insurance for owner-occupied buildings with four or fewer dwelling units.

\*House Amendment "A" eliminates provisions in the original bill (File 289) prohibiting insurers from (1) declining, cancelling, limiting, or not renewing a homeowners insurance policy based on a property's proximity to an occupied residential dwelling or that dwelling's condition and (2) requiring an insured to purchase a minimum amount of automobile insurance higher than the minimum required by law. The amendment also limits the circumstances when an insurer must send an automobile insurance policy cancellation or nonrenewal notice by registered or certified mail, return receipt requested.

\*House Amendment "B" replaces the bill as amended by House "A." In doing so, it removes the age restriction for when an automobile or homeowners insurance policyholder may designate a third party to receive cancellation or nonrenewal notices from insurers. It also

eliminates a requirement that insurers send an automobile insurance policy cancellation or nonrenewal notice by registered or certified mail, return receipt requested, to certain policyholders.

EFFECTIVE DATE: October 1, 2017, except codifying the definition of homeowners insurance is effective October 1, 2016.

### **THIRD-PARTY DESIGNATION**

For automobile and homeowners insurance policies issued, renewed, amended, or endorsed in Connecticut on and after October 1, 2017, the bill requires insurers to include a statement with each policy informing the policyholder that he or she may designate a third party to receive cancellation or nonrenewal notices. Under current law, the required statement is directed at policyholders age 55 or older.

As under existing law, the insurance commissioner must approve the statement, which must include a designation form and mailing address the policyholder must use to make a third-party designation. The form must include a written acceptance by the third party to receive notices on the policyholder's behalf. The designation is effective within 10 business days after the date the insurer receives the form and designee's acceptance.

By law, third-party designees may end the designation by providing the insurer and policyholder with written notice, and policyholders may end the designation by providing the insurer and third-party designee with written notice. The insurer may require these notices to be sent by certified mail, return receipt requested.

Under the bill, as under existing law, the insurer's delivery of a cancellation or nonrenewal notice to a third-party designee is in addition to the original notice the insurer must deliver to the policyholder. An insurer's notice must be mailed in an envelope marked on its face with the following: IMPORTANT INSURANCE POLICY INFORMATION: OPEN IMMEDIATELY.

The law specifies that the same law and policy provisions that

govern notices to the policyholder must govern notices to the third-party designee. It also states that designating a third party does not constitute acceptance of any liability by the third party or insurer for services provided to the policyholder.

**COMMITTEE ACTION**

Insurance and Real Estate Committee

Joint Favorable

Yea 12 Nay 7 (03/15/2016)